

A2429-2

JULY 1990

# MORTGAGE BANKING

THE MAGAZINE  
OF REAL ESTATE  
FINANCE

\*\*\*\*\* 5-DIGIT 20614  
\*\*\*\*\* SU-001 CR69  
\*\*\*\*\* SKI ACQUISITIONS INFORMATION 1/3  
\*\*\*\*\* SERVICE 62  
\*\*\*\*\* 4520 EAST-WEST HWY. STE.  
\*\*\*\*\* BETHESDA MD 20814-3389



## THE OVERBUILDING IS OVER

# CONTENTS

JULY 1990 VOLUME 50 NUMBER 10

## COVER:

Income  
Property



The overbuilding is over in many of the more frenzied commercial markets around the country. The thrift bailout law and a tougher stance by federal regulators together have put the brakes on lending for commercial ventures of every stripe.

- 13 The Great Financing Drought** *Regulators turned off the funding spigot for developers and the commercial property markets are now trying to adjust.*  
By HOWARD SCHNEIDER

- 19 A Return to Reason** *The new decade marks a turning point for the real estate industry. Despite the current oversaturation of some markets, others offer greener pastures for 1990 and beyond.* By LEANNE LACHMAN

- 27 A Promising Outlook** *The quiet progress now evident on the commercial mortgage securitization front mirrors the early growth stages of the residential mortgage securities market.* By THOMAS J. HEALEY

- 33 Born Again Conservatives** *The once liberally funded commercial property markets of the nation's capital have undergone a conversion. Regulators and lenders have recently become staunchly conservative about Washington area real estate lending.*  
By GUY T. STEUART

- 39 Connecticut's Forecast: Still Cloudy** *A rebound in New England's real estate market is not yet at hand. But, a look at Connecticut suggests that market may be starting to stabilize.* By BARRY ROSA

- 45 The Market to the North** *The Canadian commercial property market is going through its own lean times, with an overbuilt office sector and increasingly cautious lenders.* By ALBERT WARSON

- 51 Managing the Hotel Hotbed** *Sick hotels require expert medicine. A clean bill of health usually comes when lenders consult with outside professionals.*  
By RAY HANKAMER, JR.

- 57 Discovering Commercial Mortgage Statistics** *Digging through the piles of available information on commercial mortgages can be pointless, unless you know exactly what you are looking for and where to look for it.* By ERIC STEVENSON

- 65 HUD's Mystery Program** *The little program that could be the key to creating some much needed affordable housing is gaining new interest with some help from CRA.* By JANE MOSS SNOW

- 71 Fitting the Pieces Together** *Fannie Mae's DUS program consists of many interlocking pieces.* By ROBERT B. JOSELOW

## Executive Essay

- 77 Lending Liability Legislation** *A Superfund law designed to cleanup hazardous waste sites is contaminating lenders' ability to do business.*  
By CONGRESSMAN JOHN J. LAFALCE

## DEPARTMENTS

- 9 Business Alert**

- 11 Boardroom View**

- 81 The Secondary Market**

- 83 Economic Trends**

- 88 Index to Advertisers**

- 88 People**

COVER ILLUSTRATION BY FRED SCHRIER

## Don't Shoot the Messenger

**T**his month we offer an unusual twist on the news. In this issue, we unintentionally became a forum for industry professionals to talk about what is wrong with the way commercial real estate market news is being reported.

As a result, in this month's issue, reporters are taken to task by industry critics who charge that the media has been administering the last rites to several real estate markets that are merely taking a restorative breather. One of our July contributors offered this comment to set the record straight: "U.S. real estate as a whole is not in the dire straits that many reporters suggest."

Another July author rebuts the common media portrayal of his market this way: "After highlighting other regions' real estate misfortunes for the past decade, it seems that the current media focus is to illuminate the negative trends of the Washington [D.C.] area's local economy...These headlines distract us from the essential fact that the Washington real estate market is not as bad as one may be led to believe. But then again, nor is it as robust as it once was." Clearly, a story about a market that is not as bad as some are saying it is, carries only modest news value—it is reporting on reporting, which is a step removed from real news. There is, however, an important news story in a market that is abruptly tapering off the torrid development pace it was setting only a short time ago. That significantly changed pace of development denotes some underlying change in the marketplace worthy of examination. And that is what news reporting is about—change—for better or for worse. But as the author of this month's piece about Washington's market points out, the underlying changes occurring in that marketplace are complex. And here is where much news reporting falls short. Financial marketplace complexities are not easily grasped and condensed into so many column inches.



*Janet Reilley Hewitt*

Janet Reilley Hewitt  
Editor-in-Chief

### COMING IN AUGUST

Next month, we will explore some of the factors that determine where the business is going in the wholesale market. We will also look at the use of laptop computers to see what is behind all the talk about productivity gains.

## MORTGAGE BANKING

THE MAGAZINE OF REAL ESTATE FINANCE

VOLUME 50 NUMBER 10

### President

RONNIE J. WYNN, CMB

### Executive Vice President

WARREN LASKO

### Vice President of Communications

JACQUELINE W. GRUMBACHER

### Editor in Chief

JANET REILLEY HEWITT

### Deputy Editor

DEBORAH S. SCALLY

### Assistant Editor

LADONNA HALE CURZON

### Art Director

SARAH CLARKE HOLLANDER

### Art Production

LINDA M. ROLLA

### Advertising Sales Representative

JUDITH VALLANO

### Advertising Assistant

MILDRED BROOKS

### Circulation

BENNIE MURPHY



Published monthly since 1939  
by the Mortgage Bankers  
Association of America

### Business and Editorial Offices

1125 15th Street, N.W.

Washington, D.C. 20005

Editorial (202) 861-6562

Advertising (202) 861-6555

Circulation (202) 861-6992

*Mortgage Banking*® (ISSN 0027-1241)  
Published monthly and Copyright ©1990 by  
the Mortgage Bankers Association of  
America. Opinions expressed are those of  
the authors or the persons quoted and not  
necessarily those of the Association.

Subscription rates: \$40 per year. \$95 for  
three years or \$25 each for ten or more  
subscriptions mailed to the same addressee.  
In Canada, \$42 per year, foreign \$42 per  
year. Individual copies, \$3.40 each.

Second class postage paid at Washington,  
D.C. and additional mailing offices.  
Subscription orders should be sent to MBA,  
Dept. 0021, Washington, D.C. 20073-0021.  
Letters, manuscripts, change of address and  
all other correspondence should be sent to  
*Mortgage Banking*, 1125 15th Street N.W.,  
Washington, D.C. 20005. Six to eight weeks  
are required for a change of address. Along  
with a new address, send last magazine  
label.

# DISCOVERING Commercial Mortgage Statistics

Eric Stevenson

**Digging through the piles of available information on commercial mortgages can be pointless, unless you know exactly what you are looking for and where to look for it.**

**A**lthough financial institutions and commercial mortgage banking firms have an abundance of statistics relevant to the decision of whether or not to provide financing for a particular property (e.g., vacancy rates, absorption rates, demographics, rent levels, etc.), they have very little information about the business of commercial mortgage financing. The following two hypothetical memos, one from a chief executive and the reply from the head of the real estate department, suggest the questions that arise and the answers that can be given.

Following the memos is a description of where statistical information on commercial mortgages can be obtained and the sources used by the Department of Housing and Urban Development (HUD) for its monthly

lending survey. The article concludes with some recommendations that the financial regulatory agencies collect more detailed information on commercial mortgages, following the example set by the American Council of Life Insurance for life insurance company investments.

**Memo to the head of the commercial real estate financing department**

**From: Chief executive**

The board of directors has asked me to discuss our share of the commercial mortgage market and to outline the directions that I think we should be taking to increase or decrease our market share. I believe it is important to compare ourselves to our competition, considering particularly our percentage of delinquencies. For this report, I will need by next week not only the most recent statistics on our commercial mortgage activity but also:

- The total amount of commercial mortgage holdings and originations in the United States, broken down by property type, and by type of financial institution.
- The commercial mortgage holdings and originations of institutions which are competitors of ours in the commercial mortgage market, giving the percentage of commercial mortgage assets to total assets held by each institution.
- The delinquency and foreclosure ratios on commercial mortgages in the United States, by location and

by types of properties.

- Our costs of origination and servicing as compared with our competitors' costs.

Thanks for your prompt attention to this matter.

**Memo to the Chief executive**

**From: Head of the commercial real estate financing department**

In response to your request, I enclose the statistical information available and list the sources, but there are significant gaps in the availability of statistics for commercial mortgages as I will explain in this memo and a memo for the file. In the memo for the file, I conclude with some recommendations about statistics that you may wish to support in any discussion with others in the commercial real estate financing business.

**Commercial mortgage holdings and originations**

The total amount of commercial mortgage originations by lender group in the United States for 1989 is shown in Table 1 for permanent mortgages and Table 2 for construction loans. The total amount of commercial mortgage holdings by lender group as of December 31, 1989 is shown in Table 3. The source of these figures is HUD.

HUD does not collect statistics by property type, such as statistics for office buildings or shopping centers. It divides commercial mortgages between "multifamily" and "nonfarm

nonresidential." The statistics cover almost all lender groups in the commercial mortgage market, except mortgages held by individuals or partnerships, mortgages held by credit corporations, mortgages held by REITs, and mortgages held by foreign institutions.

The American Council of Life Insurance (ACLI) publishes commercial mortgage statistics by property type, regional or metropolitan area location, and interest rate and yield, mortgage structure (e.g., fixed-rate or joint venture), and debt service coverage, but these statistics, of course, are applicable only to mortgages of life insurance companies.

#### Competitors' statistics

As for your request for data on our competitors, you know that commercial banks and savings banks insured by the FDIC submit quarterly call reports, and institutions insured by the Savings Association Insurance Fund submit monthly thrift financial reports. The banks, for example, report quarterly (a) construction and land development loans of 60 months or less, (b) multifamily housing loans on five or more units, and (c) nonfarm nonresidential loans, excluding, of course, construction and land development loans of 60 months or less.

Several firms, including Sheshunoff Information Services of Austin, Texas and Ferguson & Company of Irving, Texas sell the data bases plus software for the call and thrift financial reports, so that we can generate our own analyses. Alternatively, these firms will do a custom report on any financial institutions you wish. Analysis can be done showing ratios of mortgage assets to total assets, by location of bank headquarters, or by several other criteria available in the data base. There is no information by property type or by location of the property on which the loan is made. Given the short deadline, I have not sought this information on our competition.

#### Delinquency and foreclosures

Although national delinquency and foreclosure statistics are available for one-to-four family houses, they are not available for commercial mortgages, except for those held by life insurance companies. ACLI publishes quarterly a survey which shows amount and

ratio to mortgage loans outstanding, of loans delinquent, loans in process of foreclosure and loans foreclosed during the year. It is indexed by type of property and the figures are shown for nine geographical regions. This kind

of detail is important because, for example, on March 31, 1990, the nationwide delinquency rate of commercial mortgages held by life insurance companies was 3.04 percent, yet the delinquency rate in the eight

**TABLE 1**

**Permanent Mortgages Originated in 1989** (all figures in millions)

| Type of Institution      | Multifamily | Nonfarm Nonresidential | Total     |
|--------------------------|-------------|------------------------|-----------|
| Commercial Banks         | \$ 7,669    | \$106,424              | \$114,093 |
| Mutual Savings Banks     | 2,059       | 4,880                  | 6,939     |
| Savings & Loan Assns     | 11,410      | 9,956                  | 21,006    |
| Life Insurance Companies | 2,786       | 25,675                 | 28,461    |
| Private Pension Funds    | 44          | 507                    | 551       |
| Mortgage Bankers         | 4,443       | 1,688                  | 6,131     |
| State & Local Ret. Funds | 4           | 95                     | 99        |
| Federal Credit Agencies  | 1,194       | 443                    | 1,637     |
| State/Local Invest. Agn. | 1,536       | 642                    | 2,178     |
| Total:                   | \$31,145    | \$149,950              | \$181,095 |

(Source: HUD 04/17/90)

**TABLE 2**

**Construction Loans Originated in 1989** (all figures in millions)

| Type of Institution      | Multifamily | Nonfarm Nonresidential | Total     |
|--------------------------|-------------|------------------------|-----------|
| Commercial Banks         | \$30,322    | \$120,934              | \$151,256 |
| Mutual Savings Banks     | 1,450       | 2,733                  | 4,183     |
| Savings & Loan Assns     | 3,827       | 4,514                  | 8,341     |
| Life Insurance Companies | 69          | 183                    | 252       |
| Private Pension Funds    | 0           | 1                      | 1         |
| Mortgage Companies       | 434         | 1,717                  | 2,151     |
| State/Local Retire Funds | 11          | 0                      | 11        |
| Federal Credit Agencies  | 370         | 0                      | 370       |
| State/Local Invest. Agn. | 1,307       | 367                    | 1,674     |
| Total:                   | \$37,801    | \$130,449              | \$168,250 |

(Source: HUD 03/30/90)

**TABLE 3**

**Holdings of Multifamily and Nonresidential Construction and Long-Term Mortgage Loans, December 31, 1989** (all dollars in millions)

| Investor             | Construction |         |         | Long-term |         |         |
|----------------------|--------------|---------|---------|-----------|---------|---------|
|                      | m/f          | nonres  | total   | m/f       | nonres  | total   |
| Com. banks           | \$17,965     | 96,383  | 114,348 | 19,077    | 205,971 | 225,048 |
| Mutual banks         | 3,304        | 4,441   | 7,745   | 14,513    | 24,477  | 38,990  |
| Savings & loans      | 13,654       | 11,559  | 25,213  | 76,489    | 88,563  | 165,052 |
| Life Ins. Cos.       | 122          | 594     | 716     | 21,515    | 193,486 | 215,101 |
| Pension funds        | —            | 20      | 20      | 782       | 2,965   | 3,747   |
| Mortgage Cos.        | 336          | 4,734   | 5,070   | 275       | 1,357   | 1,632   |
| St. & local ret.     | 12           | —       | 12      | 5,166     | 7,078   | 12,244  |
| Fed. Credit agencies | 880          | —       | 880     | 31,261    | 4,690   | 35,951  |
| Mortgage Pools       | —            | —       | —       | 22,729    | 79      | 22,808  |
| St. & local credit   | 1,808        | 2,379   | 4,187   | 39,090    | 5,456   | 44,546  |
| Totals               | \$38,081     | 120,110 | 158,191 | 230,997   | 534,122 | 765,119 |

Total holdings: Construction plus long-term \$923,310

(Does not include farm properties or land loans.)

(Multifamily combines FHA-insured and conventional.)

(Source: HUD 4/17/90)

states of the mountain region was 8.20 percent.

The Office of Thrift Supervision (OTS) issues statistics on mortgage delinquency rates, but there is just one percentage given for each of three categories: "Construction and land," "Home" and "Other." The delinquency ratio for "Other" for savings associations not in conservatorship was 4.2 percent in October 1989. The definition of "delinquency" for thrifts is any loan past due, depending on the definition used by the thrift, whereas the life insurance companies consider delinquent, for monthly payment loans, any loan two or more payments past due.

On the call reports for commercial banks, past due (30 to 89 days) mortgages are all in one figure with no division between single-family, construction or commercial mortgages. The FDIC publishes delinquent real estate loan ratios for banks by state each quarter.

In short, you will have to rely on comparisons with life insurance companies for delinquencies and foreclosures because no other useful statistics are available.

#### **Costs of origination and servicing**

There is virtually nothing available, that I know of, regarding the costs of origination and servicing commercial mortgages, either by mortgage banking firms or by financial institutions. The Mortgage Bankers Association of America (MBA) publishes yearly "Financial Statements and Operating Ratios for the Mortgage Banking Industry" but it is primarily for those in the single-family mortgage business. Only five companies doing 100 percent commercial mortgages responded to the 1988 survey for this report, an insufficient number to provide guidance. A number of companies surveyed do both single-family and commercial mortgage business, but the costs are not separated by type of business.

One report, prepared by ICM Consultants, Inc. of Valley Forge, Pennsylvania, covers costs of origination during the past five years among a group of commercial mortgage banking firms represented by ICM. It is available for sale for \$165. Other management consulting firms may also have done studies on either origination or servicing, but I have not seen them.

One of the difficulties in doing a study of servicing costs is that many firms combine single-family residential servicing with commercial servicing and have no easy way of separating the costs. A more basic problem, however, is that commercial servicing revenues generally exceed the costs until a property is in trouble. The time spent on delinquent loans may be brief or may be extensive. In the commercial real estate mortgage market, it is virtually impossible to predict, or average out, the expense of delinquencies, workouts and foreclosures.

This may be all the information you need for the board of directors.

#### **Memo to the file**

The sources of information that I could find are covered in Section A. Section B discusses the HUD monthly lending survey and Section C has recommendations for more detailed data collection.

#### **Section A—Where to obtain information**

**HUD**—"The Survey of Mortgage Lending Activity" is published monthly by HUD. Each quarter the survey includes the holdings of land loans construction loans, and long-term mortgage loans by 11 lender groups. Tables 1 and 2 show nine lender groups, because two groups do not originate commercial mortgages.

This survey is issued as a press release by HUD. The press release appears about three to four months after the date of the statistics. The current mailing list is about 2,500, to libraries, trade associations and others. Those who wish to receive a copy or be added to the mailing list should call the HUD Office of Public Affairs at 202-755-6980.

**ACLI**—Each quarter, ACLI publishes an investment bulletin titled, "Survey of Mortgage Commitments on Commercial Properties." The reporting life insurance companies hold two-thirds of the commercial mortgages held by U.S. life insurance companies. The survey appears about five months after the date of the data collected.

The survey shows the amount of mortgages committed during the previous quarter by seven types of property. A further breakdown is by

fixed-rate, fixed-term mortgage, participation (income/equity), joint venture, land sale leasebacks and other structures. The average loan amount and interest rates and yields and debt service coverages are included. Next, the mortgages are divided into several classifications of company size. There are statistics on amortization provisions and classifications by loan size. Finally, there is a breakdown by loan type by states and by certain metropolitan statistical areas.

The "Survey of Mortgage Commitments" is sold for \$55 a year. The quarterly report may be purchased by calling ACLI at 202-624-2370.

ACLI's "Delinquency and Foreclosure Survey" may be obtained when available, by telephoning 202-624-2126.

**Realtors**—The National Association of Realtors publishes twice a year a paper titled, "Financing Investment Real Estate." It is based on a questionnaire that goes to a mailing list of nearly 15,000 commercial real estate members in the organizations associated with the NAR, such as the Certified Commercial Investment Members. The mailing is also sent to the members of the Urban Land Institute and commercial members of the National Association of Homebuilders. The respondents are asked to submit information on two recent financing transactions. The results are then tabulated to help evaluate trends, interest rates, terms of loans and other factors. A copy of the report may be obtained by calling Patria Smith at 202-383-1221.

**Federal Reserve Bulletin**—The Federal Reserve Board publishes each month a table titled, "Mortgage Debt Outstanding" which is broken down by banks, savings institutions, life insurance companies, federal and related agencies, and mortgage pools or trusts and individuals. For commercial mortgages, the division is between multifamily and commercial. Some of the figures come from the HUD survey, but the figures on "Individuals and Others" are derived from Federal Reserve estimates. "Others" include mortgage companies, real estate investment trusts, and the categories covered by HUD but not specifically listed in the bulletin tables. For example, the total holdings of "Individuals and Others" at the end of the third quarter of 1989 was estimated to be \$81,009 million in multifamily loans

## CEO COMPENSATION INCREASED IN 1989

The 1989 survey results were published in the May edition of *The ICM Journal*, the monthly management letter on mortgage banking.

Subscribe now and receive the next twelve monthly editions for only \$65. As a bonus, we will send you May when you send this ad with your order.

### ICM Consultants

Box 725, Valley Forge, PA 19481

(215) 783-0350

Fax: (215) 783-0128

Management consultants since 1975

## the first and only "Best of Class" Loan Origination System

is the

**UNI-FORM®**

Loan/Escrow Processing System

For Information Call:  
**Associated Software Consultants**  
800-OBVIOUS • 216-826-1010



\*As ranked in an independent survey of 414 users of 33 loan origination systems recently conducted by the Microbanker Research Letter. UNI-FORM received the highest rating based on ease of use, recommendation, support, productivity impact, system architecture, and control.

and \$69,690 million in commercial loans.

*American Banker*—The *American Banker* provides lists of the largest servicing portfolios of mortgages held by 88 commercial banks, 100 top thrifts and 300 mortgage companies. Unfortunately, there is no division between single-family residential and commercial mortgages. One can tell by the number of loans that seven of the top hundred mortgage companies service only commercial mortgages, but many other firms service both, and there is no way of knowing what percentage of the portfolio is commercial. There are no lists of the top firms or institutions which originate commercial mortgages. The *American Banker Top Numbers 1990* is available for \$55 from *American Banker*, One State Street Plaza, New York, New York 10004.

### Section B—The HUD monthly survey

*Sources of information for the HUD survey*—For the nine lender groups, the HUD survey:

- Uses its own survey for commercial banks and mutual savings banks insured by FDIC.
- Obtains figures from the OTS for savings and loans.
- Uses figures from the ACLI for the life insurance companies.
- Contracts with a private research firm to do a survey of private pension fund mortgages and state and local retirement fund mortgages.
- Uses figures from a survey of the MBA for origination and holdings of mortgage companies. The MBA reports, in addition to one-to-four-family loans, multifamily residential (FHA-insured and conventional, separately) and nonfarm nonresidential. Reports cover only those loans made, originated or closed directly with a borrower in the name of the mortgage banking firm. In the commercial real estate financing business, multifamily loans sold to Fannie Mae or Freddie Mac are among those originated in the firm's name. Most commercial mortgages, however, are originated in the name of the life insurance company, savings bank, or other investor with the mortgage banker arranging the financing but not funding the loan.

The information obtained by the MBA from 78 companies is expand-

ed by a carefully designed expansion factor to represent the universe of mortgage banking firms. This expansion factor does not differentiate between one- to four-family houses, multifamily and nonresidential.

- Uses statistics from Fannie Mae, Freddie Mac, GNMA and the Farmers Home Administration for statistics on "Federal Credit Agencies."
- Uses information from *The Bond Buyer*, published by *American Banker*, for statistics on tax-exempt and taxable financing from state and local investment agencies, which are primarily state housing finance agencies.

*Accuracy of HUD survey of banks*—For the commercial banks and the mutual savings banks insured by the FDIC, the Office of Financial Management at HUD conducts its own survey. In 1970, it initiated the survey with a sample of 250 banks carefully selected to ensure that the sample reflected commercial banking as a whole. Some of the banks originally contacted have gone out of business and some have now refused to respond to the survey, but HUD states that the larger banks are all represented. The sample is based on the universe of all real estate mortgages, not total assets held by banks, but only one expansion factor is used to translate the sample's results into totals for all banks. There are no separate expansion factors for single-family mortgages, multifamily or nonresidential mortgages. This expansion factor is revised every six months. A complicated software package containing information from the call reports, is used to determine the expansion factor.

The fact that HUD has been using a sample that is 20-years old with a questionnaire that has not been changed for 20 years provides cause for concern. One wonders about whether or not the expansion of the figures collected to the total of commercial bank financing is accurate. Holdings reported in the HUD survey are verified by the call reports submitted by the banks, but the monthly lending reports depend on the relationship of the sample collected to the entire commercial mortgage portfolio for all banks.

It should be noted from Tables 1 and 2 that the commercial banks in 1989 originated about 90 percent of

the construction loans, which is no surprise, and about 77 percent of the long-term mortgages, which is a surprise to many real estate financing professionals.

One reason that so many construction loans become "long-term" loans held by commercial banks may be explained by an example. Suppose that a bank makes a three-year construction loan, giving the borrower sufficient time to find a permanent mortgage after construction is completed. Suppose the construction is completed within two years, but the borrower decides to keep its loan for the full three-year period. The HUD reporting requirements state that, when the construction is completed, the bank should treat the remaining portion of the loan as a long-term or permanent mortgage.

**Section C—Need for more detailed statistics**

Financing by institutional lenders for multifamily housing and nonresidential buildings, both construction and long-term mortgages, totaled nearly \$350 billion in 1989 and yet we know virtually nothing about these figures. Only the life insurance companies provide information on types of properties financed, locations of financing, structures for lending, interest rates and yields. Only the life insurance companies provide detailed information on delinquencies and foreclosures.

There may be no particular need for a monthly survey of mortgage lending from HUD; a quarterly survey would probably be sufficient. There is a need to determine the extent of financing for particular types of buildings. It is important, for example, to those building or owning hotels, or those who finance hotels, to know the increase or decrease in the amount of hotel financing quarter by quarter. Yields and interest rates should be collected after closings so that mortgage officers can compare return on commercial mortgage portfolios with that on bonds or common stocks or real estate ownership. Also, given the fact that many people blame commercial real estate for the savings and loan disaster, it is important to keep an accurate delinquency and foreclosure record for commercial real estate.

Some organization, perhaps the Federal Financial Institutions Exami-

## WANTED TO BUY

Multi-Family Servicing  
Mid-Atlantic Area  
Portfolios up to \$100 Million



**LOVE FUNDING  
CORPORATION**

call David Kirkland  
(202)887-8475

**\$11,000,000**

**Joint Venture Financing**

*provided to*



**FORUM GROUP, INC.**

*for the purchase of four retirement communities  
developed and managed by Forum Group.*

*The properties are located in:*

**Rancho Bernardo, California  
Wilmington, Delaware  
Indianapolis, Indiana**

*The undersigned provided equity  
and interest guarantees to the transactions.*

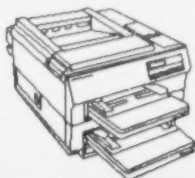
**GATX**  
REALTY CORPORATION

Four Embarcadero Center Suite 2200 San Francisco, California 94111  
(415) 955-3200

## Why wait any longer? Join the Laser Revolution.....

Laser Printers are more affordable than ever. Prepare, calculate and print all your mortgage forms with **FPT Mortgage Forms Software**.

• Origination • Disclosure • Closing Documents



**FPT Corp.**

Financial Productivity Tools

Only \$495\*. Call us.

(305) 274-1827

\* Printer not included.



Photo courtesy town & country bank, Springfield, Illinois

## Software for lap tops to lasers\* — any time, anywhere!

Call 800-648-6677 for details. In Florida 800-521-7123

### SOLUTIONS FOR

#### POINT OF SALE TO DOC PREP

The Gallagher System is the best solution for automated loan origination, processing, closing, reporting & tracking available today.

Let us show you how to reduce your staff in loan set-up processing and closing and increase your loan originations at the same time. You can eliminate your pre-printed forms by using our Custom Laser Forms® solution.

We'll improve your bottom line.

### COMPATIBLE SOFTWARE SOLUTION

- Written in C language
- IBM® compatible with 640K and hard disk.
- Novelle® Network version available.
- Prequalifies borrower on all loan plans.
- Document tracking integrated automatically.
- Custom Laser Forms® available
- Laser document preparation optional.
- Turnkey systems optional.
- Toll-free hot line.

\*The most flexible laser printed forms generation package in the industry

GFS is an authorized dealer for



**Gallagher Financial Systems, Inc.**

1550 Madruga Ave., Coral Gables, FL 33146



nation Council, should work with the FDIC and OTS, plus the other lending groups in the HUD survey, to develop a good sample of commercial mortgage investors. The sample should reflect the commercial financing business as a whole, and should be changed from time to time as the business changes. Credit corporations and foreign mortgage lenders should be included. A group of professionals in commercial real estate financing should provide advice on what kind of information would be available or could be programmed on institutional computers and what information is particularly needed for the business. Detailed information on delinquencies and foreclosures may not prevent a real estate crisis, but it can provide help in developing lending strategies, and it does give valuable clues to the state of the economy.

A separate study is needed annually on real estate owned (REO). Three employees of the OTS did a survey of a sample and expanded it in the Spring of 1989 to estimate that REO on March 31, 1989, held by regulated and non-regulated financial institutions and the government totaled \$16.7 billion in multifamily \$5.9 billion in office, \$2.6 billion in retail, and \$1.5 billion in mortgages on hotels and motels. They could not provide percentages of REO to total commercial mortgages held. Their report has the splendid title of "Flying Down with REO" and it appeared in the December 1989 issue of the *OTS Journal*.

Those involved in the real estate financing business need more information about market share and the cost of doing business. We have no statistics, for example, on the amount of commercial mortgages serviced by mortgage bankers as distinct from those serviced by financial institutions. We do not know the share of commercial mortgage originations originated by mortgage brokers. The costs of origination and servicing are unknown. It's surprising that, given the importance of commercial real estate to the nation's economy, we know so little about the trillion dollars of mortgage holdings. **MB**

*Eric Stevenson is senior staff vice president of the Mortgage Bankers Association of America, Washington, D.C. Linda McKenna, staff assistant at the MBA, assisted with statistical information.*